



Cameco Corporation: Double Your Money on This Mining Stock

Description

Over the next couple of years, you could make triple-digit gains in one of the world's most despised commodities: uranium.

No, it's not going to happen overnight. But as I'm about to show you, a big bull market in uranium is coming. And before the run is over, we'll see prices double or more.

Let me explain...

Uranium prices have experienced an extreme boom and bust cycle over the past decade. From 2005 to 2007, spot rates "boomed", hitting a high of more than \$130/lb. Then the Jpana Fukushima disaster happened. Prices collapsed as Japan closed nuclear plants and sold its uranium stockpiles.

Ever since, uranium has been one of the world's most hated resources. Earlier this year, spot prices hit their nine-year lows. Today, uranium trades for \$35 per pound. But this situation is unlikely to last.

Here's the problem. The average cost to produce a pound of uranium is more than twice as high – about \$75 per pound. Many producers are losing money on every pound of uranium they sell. That can't last. These miners will either slow production or go out of business completely. Either way, supply is likely to dry up.

And despite the critics, demand for uranium is still strong and expected to grow. Nuclear power currently produces a tenth of the world's electricity. Developing countries – particularly China and India – will rely heavily on nuclear power going forward. Chinese uranium demand is expected to triple by 2030. India's nuclear power production is projected to grow 10-fold by 2050.

As supplies shrink and demand grows, common sense says uranium prices must go up. It's only a question of when. We don't know the exact moment the bottom will be in place. But because we're so close, the risk here is minimal.

Given the bullish outlook for uranium prices, **Cameco Corporation** ([TSX: CCO](#))([NYSE: CCJ](#)) shares could see a sharp price increase. As the largest producer in the world, the firm is like the **ExxonMobil Corporation**

of the uranium industry. It has the raw size needed to survive the industry's current doldrums.

However, thanks to the leverage inherent in its business, Cameco's profits could rise much faster than the underlying commodity. Back in February 2011, uranium prices were around US\$60 per pound. At that time, Cameco traded at about \$35 – more than double its current share price.

Wall Street is also backing a Cameco turnaround. As I've written about previously, billionaire George Soros has purchased a nearly \$45 million stake in the stock. A number of other money managers — including David Iben, Ray Dalio, and Ken Griffin — have also built big positions.

Why are these stock sharks so bullish on Cameco? I'd say it could mean only one thing: they see an epic rally ahead.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
2. TSX:CCO (Cameco Corporation)

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Author

rbailieul

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